

DDI VANTAGE

**Audit Reports
and
Financial Statements
June 30, 2005 and 2004**

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VALENTINE CPA
A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
DDI Vantage

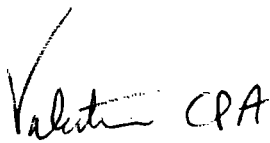
I have audited the accompanying statement of financial position of DDI Vantage (a nonprofit organization) as of June 30, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DDI Vantage as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 6, 2005, on my consideration of DDI Vantage's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of DDI Vantage taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Valentine CPA

Valentine CPA
A Professional Corporation
December 6, 2005

DDI VANTAGE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,828	\$ 12,170
Grants receivable	253,389	231,575
Other receivables	5,832	5,415
Sales tax receivable	<u>3,954</u>	<u>6,070</u>
	295,003	255,230
 Security deposits	 9,324	 8,259
Office equipment, net of accumulated depreciation of \$198,308 and \$182,687	 <u>44,283</u>	 <u>54,542</u>
Total assets	\$ <u>348,610</u>	\$ <u>318,031</u>
 Liabilities		
Current liabilities		
Accounts payable	\$ 54,153	\$ 27,622
Liability for compensated absences	<u>54,469</u>	<u>53,143</u>
	<u>108,622</u>	<u>80,765</u>
 Net Assets		
Unrestricted	<u>239,988</u>	<u>237,266</u>
Total net assets	<u>239,988</u>	<u>237,266</u>
 Total liabilities and net assets	\$ <u>348,610</u>	\$ <u>318,031</u>

The accompanying notes are an integral part of these statements.

DDI VANTAGE
STATEMENT OF ACTIVITIES
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Unrestricted Net Assets		
Support		
State and federal financial assistance		
Early intervention – Health Grant	\$2,821,607	\$ 2,671,988
Early Head Start	552,525	540,829
Supported employment - DSPD	109,327	100,898
Supported employment - rehabilitation	31,834	44,850
Early intervention - private service fees	11,248	8,120
Supported employment - private service fees	248	120
Parent donations	420	1,060
In-kind donations	112,595	-
Other donations	7,490	4,011
Other support	735	655
Interest	<u>4,120</u>	<u>2,141</u>
Total unrestricted support	<u>3,652,149</u>	<u>3,374,672</u>
Expenses		
Program services		
Early intervention – Health Grant	2,380,847	2,217,401
Early Head Start	597,751	481,002
Supported employment	93,509	83,302
Supported employment - rehabilitation	21,078	29,570
Supported employment - private services	<u>233</u>	<u>80</u>
	3,093,418	2,811,355
Supporting services		
Management and general	<u>556,009</u>	<u>565,852</u>
Total expenses	<u>3,649,427</u>	<u>3,377,207</u>
Increase (decrease) in unrestricted net assets	2,722	(2,535)
Net Assets At The Beginning of the Year	<u>237,266</u>	<u>239,801</u>
As Previously Reported		
Net Assets At The End Of the Year	<u>\$ 239,988</u>	<u>\$ 237,266</u>

The accompanying notes are an integral part of these statements.

DDI VANTAGE
STATEMENT OF CASH FLOWS
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 2,722	\$ (2,535)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,521	15,282
(Increase) decrease in operating assets		
Grants receivable	(21,815)	(112,900)
Other receivable	(416)	1,504
Sales tax receivable	2,115	(2,726)
Security deposits	(1,065)	(4,565)
(Increase) decrease in operating liabilities		
Accounts payable	26,531	27,621
Compensated absences	<u>1,327</u>	<u>9,420</u>
Net cash (used) provided by operating activities	<u>24,920</u>	<u>(68,899)</u>
Cash Flows From Investing Activities		
(Purchases of equipment)		
Cash used by investing activities	<u>(5,262)</u>	<u>(14,140)</u>
Net increase (decrease) in cash and cash equivalents	19,658	(83,039)
Cash and Cash Equivalents		
Beginning of year	<u>12,170</u>	<u>95,209</u>
End of year	\$ <u>31,828</u>	\$ <u>12,170</u>

The accompanying notes are an integral part of these statements.

DDI VANTAGE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2005

	Early Intervention	Early Head Start	Supported Employment DSPD	Supported Employment Rehabilitation	Supported Employment Private	Total Direct	Management and General	Total Expenses
Salaries and benefits	\$ 1,672,499	\$ 225,101	\$ 65,829	\$ 14,771	\$ 167	\$ 1,978,367	\$ 339,658	\$ 2,318,025
Payroll taxes	127,431	17,723	5,808	1,271	14	152,247	26,578	178,825
Retirement	117,485	17,989	4,432	930	13	140,849	25,487	166,336
Contract and temporary labor	60,210	6,728	-	-	-	66,939	-	66,939
Consulting	3,759	1,478	47	7	1	5,290	3,053	8,343
Supplies	56,599	29,194	189	38	-	86,020	14,592	100,612
Telephone/Communications	12,401	5,110	1,449	307	4	19,270	18,493	37,763
Postage and shipping	1,946	14	-	-	-	1,960	5,043	7,003
Occupancy	144,827	34,597	3,201	688	10	183,323	23,072	206,395
Equipment rental	1,451	1,533	-	-	-	2,983	4,470	7,453
Printing and publishing	8,781	3,012	65	12	-	11,871	1,249	13,120
Travel	73,550	10,131	10,273	2,227	24	96,206	1,572	97,778
Conference	8,451	15,636	-	-	-	24,087	-	24,087
Liability insurance	18,592	2,563	648	355	-	22,158	5,944	28,102
Accounting	174	17	-	-	-	191	60,511	60,702
Equipment maintenance	19,851	7,667	14	4	-	27,536	10,409	37,945
Training	7,499	17,846	192	43	-	25,580	1,130	26,710
Public Awareness	5,834	46	-	-	-	5,880	-	5,880
School district grant	-	81,371	-	-	-	81,371	-	81,371
Other	25,918	10,102	1,362	425	-	37,808	10,114	47,922
Subtotal	2,367,258	487,858	93,509	21,078	233	2,969,936	551,375	3,521,311
In-kind donations	3,830	108,765	-	-	-	112,595	-	112,595
Depreciation	9,759	1,128	-	-	-	10,887	4,634	15,521
Totals	\$2,380,847	\$ 597,751	\$ 93,509	\$ 21,078	\$ 233	\$3,093,418	\$ 556,009	\$3,649,427

The accompanying notes are an integral part of these statements.

DDI VANTAGE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2004

	Early Intervention	Early Head Start	Supported Employment	Vocational Rehabilitation	Supported Employment Private	Total Direct	Management and General	Total Expenses
Salaries and benefits	\$ 1,619,845	\$ 162,285	\$ 60,337	\$ 21,150	\$ 51	\$ 1,863,668	\$ 303,681	\$ 2,167,349
Payroll taxes	112,530	12,281	4,794	1,627	4	131,236	21,682	152,918
Retirement	94,631	11,126	3,399	1,283	4	110,443	18,557	129,000
Contract and temporary labor	48,638	3,639	-	-	-	52,277	-	52,277
Consulting	5,122	3,415	49	-	-	8,586	1,410	9,996
Supplies	26,691	100,570	80	32	-	127,373	16,253	143,626
Telephone/Communications	11,489	10,702	1,096	405	-	23,692	20,536	44,228
Postage and shipping	-	-	-	-	-	-	14,031	14,031
Occupancy	136,681	16,957	2,843	1,047	-	157,528	21,306	178,834
Equipment rental	-	-	-	-	-	-	4,771	4,771
Printing and publishing	8,030	2,835	303	111	-	11,279	2,033	13,312
Travel	72,900	6,796	9,223	3,415	21	92,355	1,516	93,871
Conference	6,318	7,023	-	-	-	13,341	143	13,484
Liability insurance	-	159	-	-	-	159	43,424	43,583
Accounting	-	-	-	-	-	-	60,960	60,960
Equipment maintenance	35,298	68,643	277	103	-	104,321	7,516	111,837
Training	6,945	15,377	196	74	-	22,592	2,288	24,880
Public Awareness	11,443	191	-	-	-	11,634	-	11,634
School district grant	-	46,006	-	-	-	46,006	-	46,006
Other	11,453	12,433	644	256	-	24,786	20,542	45,328
Total expenses before dep.	2,208,014	480,438	83,241	29,503	80	2,801,276	560,649	3,361,925
Depreciation	9,387	564	61	67	-	10,079	5,203	15,282
	<u>\$2,217,401</u>	<u>\$ 481,002</u>	<u>\$ 83,302</u>	<u>\$ 29,570</u>	<u>\$ 80</u>	<u>\$2,811,355</u>	<u>\$ 565,852</u>	<u>\$3,377,207</u>

The accompanying notes are an integral part of these statements.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

DDI Vantage ("DDI" or "the Organization") is a nonprofit corporation organized to provide (1) early intervention support for disabled children from birth to three years of age, (2) early Head Start functions which include socialization and parent training, and (3) employment support for disabled adults. The primary funding for DDI comes from the Utah State Department of Health. Portions of funds from the Department of Health are specifically designated as federal funds. DDI's accounting policies are as follows.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *"Financial Statements of Not-for-Profit Organizations."* Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization has discontinued its use of fund accounting.

Contributions

The Organization has also adopted SFAS No. 116, *"Accounting for Contributions Received and Contributions Made."* Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Investments

The Organization has adopted SFAS No. 124, *"Accounting for Certain Investments Held by Not-for-Profit Organizations."* Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Normal repairs and maintenance are charged to expense as incurred. Gains and losses on dispositions are included in operations. Depreciation is determined using the straight-line method over the estimated lives of the assets, which range from five to ten years. The Organization capitalizes and depreciates all costs of \$500 or more, which will provide a benefit to the Organization into the future.

Accounts Receivable

Accounts receivable are amounts due on services and are unsecured. Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest although a fiancé charge may be applied to such receivables that are more than thirty days past due. Accounts receivable are periodically evaluated for collectibility based on past credit history with clients. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions.

Restricted Resources

The Organization reflects restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

Allocation of Indirect Expenses

DDI's policy is to allocate management and general expenses to cost objectives based on a causal/beneficial relationship. Costs specifically benefiting a program are directly charged. Costs benefiting more than one cost objective are allocated between objectives based on direct labor dollars. DDI allocates indirect costs each month using the actual direct labor costs from the prior month.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, DDI considers cash on hand and cash in banks as cash and cash equivalents.

Income taxes

The Internal Revenue Service has granted DDI an exemption from income taxes under Section 501 (c)(3) of the Internal Revenue Code. The State of Utah has granted a similar exemption to DDI. Accordingly, no taxes have been provided for in the financial statements. In addition, DDI has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Note 2 - Defined Benefit Pension Plan

Plan Description. DDI contributes to the Local Governmental Contributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems ("Systems"). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board ("the Board") whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Non-contributory Retirement System, Public Safety Retirement System for employers with Social Security Coverage, and Firefighters Retirement System, which are for employers with Social Security Coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the Local Governmental Contributory Retirement Systems are required to contribute 6.00 percent of their annual covered salary. Of this required 6.00 percent, the employee contributes 3.95 percent and DDI voluntarily contributes the remaining 2.05 percent. In addition, DDI is required to contribute an additional percent of the employee's annual covered salary. This percentage changes every July by the Board. Currently, DDI is required to contribute 7.08 percent. Prior to July 2005, DDI was required to

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2 – Defined Benefit Pension Plan (continued)

contribute 5.61 percent. Prior to July 2004, DDI was required to contribute 4.68 percent. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

DDI's contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2005, 2004, and 2003 were \$160,090, \$128,929 and \$108,454, respectively. The contributions were equal to the required contributions for each year. The salaries and wages subject to retirement for the years ended June 30, 2005, 2004, and 2003 were \$1,753,447, \$1,683,128, and \$1,611,185, respectively.

Note 3 - Grants Receivable

Grants receivable at June 30, 2005 and 2004 consisted of funds due from the following agencies:

	<u>2005</u>	<u>2004</u>
Utah State Department Of Health (Early Intervention)	\$144,603	\$104,410
Medicaid (Early Intervention)	30,446	-
Utah State Department Of Human Services(DHS/DSPD)	9,641	11,615
Utah State Department of Health (Voc Rehab)	4,221	6,825
US Dept. of Health and Human Services (Early Head Start)	64,706	108,750
Private Payments (credit balance)	(228)	-
Rounding	-	(1)
	<u>\$ 253,389</u>	<u>\$231,575</u>

Note 4 - Accounts Payable

As of June 30, 2005 there are \$54,153 of operational expenses that were not yet due. The accounts payable at June 30, 2004 was \$27,621.

Note 5 - Rental Commitment

DDI leases office space in various locations for administrative and program services purposes. Descriptions of the lease commitments are as follows.

1. The lease of the administrative/program services office space at 535 East 4500 South, Bldg. D-240 in Salt Lake City, Utah commenced on November 1, 1995 and expired October 31, 2000. Beginning November 1, 2000, the Organization made monthly rental payments. A 5-year lease was re-negotiated on December 10, 2000 with an effective date of January 15, 2001 and a termination date of January 14, 2006.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5 – Rental Commitment (continued)

2. An additional administrative/program services office suite at 535 East 4500 South, Suite B-120 in Salt Lake City, Utah was leased on a month-to-month basis commencing May 1, 2003.
3. On December 1, 1995, DDI entered into a lease agreement for program services space at 3540 South 5600 West in West Valley City, Utah. The lease expired on December 31, 2000. The lease was renewed on January 1, 2001 and expires on December 31, 2005.
4. The Organization commenced a month-to-month rental agreement on November 1, 2001 for program service space at 58 East 100 North in Roosevelt, Utah.
5. On July 15, 1999 the Organization entered into a lease agreement for program service space at 165 Main Street, Suite 200 in Tooele, Utah. The lease expired on July 31, 2001. DDI exercised its option to extend the lease for one year until July 31, 2003. Lease payments are currently on a month-to-month basis.

Future rental commitments under the leases as of June 30, 2004 are as follows.

Year	Admin/Program Services	Admin/Program Services	Program Services	Program Services	Program Services	
Ended	535 E 4500 S, D240	535 E 4500 S, B120	3540 S 5600 W	58 E 100N.	165 S Main	
<u>June 30</u>	<u>SLC, UT</u>	<u>SLC, UT</u>	<u>WVC, UT</u>	<u>Roosevelt, UT</u>	<u>Tooele, UT</u>	<u>Total</u>
2006	\$58,769	-	\$ 25,518	-	-	84,287

Note 6 - Commitments, Contingencies and Concentrations

DDI currently has an agreement with its bank to have its excess cash temporarily invested in commercial paper as part of a zero balance checking account arrangement. Any cash deposits temporarily invested in the commercial paper are not insured by the FDIC.

The State of Utah has retained an ownership interest in assets, including equipment, which were purchased with funds received under grants from agencies of the State of Utah. In the event that grants from these State of Utah agencies are not continued or DDI no longer uses the assets in its operations, DDI may be required to return these assets to the State of Utah.

Approximately 46 percent of the Organization's support (excluding Medicaid payments) was provided by the Federal Government for the years ended June 30, 2005 and 2004, respectively. Approximately 36 percent and 27 percent (for the years ended June 30, 2005 and 2004, respectively) of the Organization's support is provided under various contracts with the State of Utah.

DDI VANTAGE

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7 - Contributed Services and Facilities

During the fiscal year, DDI received the following in donated goods and services.

<u>Description</u>	<u>Estimated Value</u>	<u>Program</u>
Passenger van	\$ 3,830	Early Intervention
Facility usage	19,920	Early Head Start
Goods and equipment	85,015	Early Head Start
Volunteer labor	182,340	Early Head Start
Volunteer miles driven	448	Early Head Start
Total	<u>\$ 291,553</u>	

The estimated value of \$108,765 for the passenger van, facility usage, and goods and equipment are disclosed on the financial statements as "in-kind donation" income and "in-kind donation" functional expenses. None of the above donation expenses were charged against contracts. No provision is made in the financial statements for unpaid donated volunteer labor of \$182,340 or volunteer miles driven of \$448.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
DDI Vantage

I have audited the financial statements of DDI Vantage as of and for the year ended June 30, 2005 and 2004, and have issued my report thereon dated December 6, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered DDI Vantage's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DDI Vantage's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit,

and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Valentine CPA

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A Professional Corporation
December 6, 2005

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees of
DDI Vantage

Compliance

I have audited the compliance of DDI Vantage with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. DDI Vantage's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of DDI Vantage's management. My responsibility is to express an opinion on DDI Vantage's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DDI Vantage's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of DDI Vantage's compliance with those requirements.

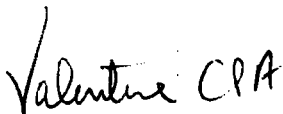
In my opinion, DDI Vantage complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of DDI Vantage is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered DDI Vantage's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Valentine CPA
A Professional Corporation
December 6, 2005

VALENTINE CPA
A Professional Corporation

RON R. VALENTINE, M.S.
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INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

To the Board of Trustees of
DDI Vantage

I have audited the financial statements of DDI Vantage, a nonprofit corporation, for the year ended June 30, 2005, and have issued my report thereon dated December 6, 2005. As part of my audit, I have audited DDI Vantage's compliance with the requirements of the provider contract determined to be a major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. DDI Vantage received the following major State assistance program from the State of Utah:

Utah State Department of Health; Division of Community and Family Health Services:
Early Intervention Program

Utah State Department of Human Services; Division of Services for People with Disabilities:
Supported Employment

DDI Vantage also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of DDI Vantage's financial statements.)

Utah State Department of Rehabilitation: *Vocational Rehabilitation*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about DDI Vantage's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In my opinion, DDI Vantage complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2005.

Valentine CPA

Valentine CPA
A Professional Corporation
December 6, 2005

**DDI VANTAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of DDI Vantage.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of DDI Vantage were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of internal controls over major federal award programs as reported in the report on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for DDI Vantage expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for DDI Vantage are reported in this Schedule.
7. The programs tested as major programs included the Early Intervention Program Health Grant (CFDA No. 84.181A) and the Early Head Start Program Discretionary Grant (CDFA No. 93.600).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. DDI Vantage was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

NONE

DDI VANTAGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
Pass-through programs from:			
Utah State Department of Health; Division of Community and Family Health Services:			
<i>Early Intervention Program</i>			
<i>Health Grant</i>	84.181	01-6614	\$1,008,097
Pass-through program from:			
Utah State Department of Rehabilitation			
<i>Vocational Rehabilitation</i>	84.126A	2008-204	<u>21,078</u>
Subtotal - U.S. Department of Education			<u>1,029,175</u>
U.S. Department of Health and Human Services			
Administration For Children and Families			
<i>Early Head Start Program</i>			
<i>Discretionary Grant</i>	93.600	N/A	391,189
Pass-through program from:			
Utah State Department of Human Services; Division of Services for People with Disabilities			
<i>Supported Employment</i>	93.714	051901	56,105
	93.667	051901	<u>3,740</u>
Subtotal - U.S. Department of Health and Human Services			<u>451,034</u>
Total			<u>\$1,480,209</u>

NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of DDI Vantage and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

DDI VANTAGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2005

No prior audit findings were reported in the year ended June 30, 2004 audit's "Schedule of Findings and Questioned Costs" relative to Federal Awards. In addition, there were no audit findings from any year ended prior to June 30, 2004 that have not been corrected.